

Memorandum

MIAMI-DADE
COUNTY

Date: January 20, 2005

To: Honorable Chairman Joe A. Martinez and Members,
Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Resolution Approving an Amendment to the People's Transportation Plan to Include the Use of Charter County Transit System Surtax Funds for Existing Miami-Dade Transit Service for an Integrated Transit System

Not On
Agenda Item No. 7(J)(1)(R)

RECOMMENDATION

It is recommended that the Board approve the attached resolution, as recommended by the Citizens' Independent Transportation Trust (CITT), amending the People's Transportation Plan (PTP) to include the use of Charter County Transit System Surtax (Surtax) funds for existing Miami-Dade Transit (MDT) service for Fiscal Years 2001-2002, 2002-2003, 2003-2004, and 2004-2005, and further amendment to include the use of such funds for such service for FY 2005-2006 and subsequent fiscal years. The further amendment to include use of Surtax funds for existing MDT service for FY 2005-2006 and subsequent fiscal years shall be contingent upon the approval by the Board of County Commissioners for such fiscal year of at least a 3.5 percent increase in the Countywide General Fund Budget to MDT over that provided in the preceding fiscal year and at least a 1.5 percent increase in Local Option Gas Tax (LOGT) Revenue support for MDT over that provided in the preceding fiscal year (or the proportionate share increase in LOGT Revenues for such fiscal year in accordance with Resolution No. R-614-03, whichever is greater), as outlined in my attached Memorandum of August 16, 2004, and attached Surface Transportation Manager's Memorandum of August 11, 2004, and incorporated herein by reference.

This item was amended at the CITT's Budget and Finance Committee meeting on December 17, 2004, to memorialize my recommendation that the 3.5% increase in the Countywide General Fund Budget to MDT over that provided in the preceding fiscal year be built upon a revised Maintenance of Effort amount to include an increase of \$2 million dollars to the Countywide General Fund Budget contribution to MDT as of Fiscal Year 2004-2005.

BACKGROUND

On August 16, 2004, I circulated the "Working White Paper" prepared by Dr. Carlos F. Bonzon, Ph.D., P.E., Surface Transportation Manager. That document brought forward a number of issues surrounding the PTP and the funding of the County's transit system, and it highlighted that successful implementation of the PTP depends on the maintenance of an efficient and effective unified public transit system.

A properly funded MDT operation is a critical element of the success of the PTP. Support for existing services was envisioned in the 21-year Pro Forma dated July, 2002. Furthermore, the 30-year Pro Forma presented in December, 2003, incorporated support for existing services as part of a sound financial plan along with a 3.5 percent increase in General Fund support. The December,

2003, balanced Pro Forma also included an annual 1.5 percent increase in LOGT Revenue for the next 30 years. The additional funding from those two sources was considered and approved by the Board as part of the Fiscal Year 2004-2005 Countywide Budget, and my Memorandum of August 16, 2004, accompanying the "Working White Paper" endorsed the inclusion of that funding in subsequent countywide budgets.

The proposed PTP amendment would memorialize those recommendations. The amount of support from the Surtax for existing MDT services will be included each year as part of the annual update of the Pro Forma. Support for existing services from the Surtax would be automatically continued for each year as long as the percent growth in General Fund and LOGT Revenue are continued. This amendment also includes the recommendation I made at the CITT's Budget and Finance Committee meeting of December 17, 2004, that the 3.5% increase in the Countywide General Fund Budget to MDT over that provided in the preceding fiscal year be built upon a revised Maintenance of Effort amount to include an increase of \$2 million dollars to the Countywide General Fund Budget contribution to MDT as of Fiscal Year 2004-2005. This modified plan amendment was subsequently recommended by the CITT on December 29, 2004.

This amendment will have a one-time impact on the Surtax of \$23.9 million covering the cost of services from Fiscal Year 2001-2002. The "Working White Paper" describes this budgetary shortfall as a historic deficit on existing services, debt service payments for the acquisition of buses and debt for capital maintenance and improvements prorated based on the total bus miles used prior to the surtax (for bus purchases). The series of one-time fixes applied to the MDT budget to remedy historic shortfalls is also explained, and the conclusion is that there can be no more borrowing from future years for the present expenses of a unified transit system. The first five years of the proposed 3.5 percent increase in General Fund support will be used to address these past MDT debts. The debt service on the capital improvements should be funded by the Surtax since these improvements are taking place after the Surtax was approved and serve the system as a whole. The buses purchased in 2001 and 2002 are in service today and have a life expectancy of 12 years. However, the revised Maintenance of Effort amount to include an increase of \$2 million dollars to the Countywide General Fund Budget contribution to MDT as of Fiscal Year 2004-2005 will add approximately \$103 million dollars to the total revenues of the Pro Forma.

MDT is committed to the efficient and effective use of both the Surtax and its other revenue streams. To that end, MDT has commissioned a number of studies to provide research and technical assistance in public transportation issues. For example, the Center for Urban Transportation Research (CUTR) at the University of South Florida has completed a review of specific Metrorail and Metromover operational procedures, and the recommendations will be implemented during Fiscal Year 2004-2005. A similar operational review of Metrobus has just been completed, producing estimated manpower requirements for several Metrobus maintenance classifications. Florida International University (FIU) is in the process of establishing work standards for Metrobus maintenance activities which will also be implemented in Fiscal Year 2004-2005. The Comprehensive Bus Operations Analysis, which reviewed each MDT route for ridership, run times, schedule adherence, etc., is due to be presented to the Board and CITT in January, 2005. CUTR has also completed a review of best practices in MDT operations, materials management, and facilities maintenance. MDT has already begun to implement preliminary recommendations from these and other studies. Measurable performance standards have been incorporated into the department's Business Plan, and MDT is held to these goals in its yearly performance evaluation. Individual administrators within the department are in turn held accountable in their own annual performance reviews when these goals are not met. Services or practices that do not meet established performance standards are improved or eliminated. A

commitment to the implementation of best practices is integral to the success of the PTP, and the department recognizes this obligation and responsibility.

SURTAX FISCAL IMPACT

A revised Pro Forma incorporating changes in projected revenues and expenses for a unified transit system will be presented to both the Board and the CITT in January 2005. Included in that update will be the additional one-time impact from this amendment of \$23.9 million covering the cost of services from Fiscal Year 2001-2002.

However, the amendment made at the CITT's Budget and Finance Committee meeting on December 17, 2004, memorializing the recommendation that the 3.5% increase in the Countywide General Fund Budget to MDT over that provided in the preceding fiscal year be built upon a revised Maintenance of Effort amount to include an increase of \$2 million dollars to the Countywide General Fund Budget contribution to MDT as of Fiscal Year 2004-2005, adds approximately \$103 million dollars to the total revenues of the Pro Forma. Again, the revised Pro Forma will incorporate this additional revenue.



Assistant County Manager

Date



MEMORANDUM

(Revised)

TO: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

DATE: January 20, 2005

FROM: Robert A. Ginsburg
County Attorney

SUBJECT: Not On
Agenda Item No. 7(J)(1)(R)

Please note any items checked.



“4-Day Rule” (“3-Day Rule” for committees) applicable if raised

6 weeks required between first reading and public hearing

4 weeks notification to municipal officials required prior to public hearing

Decreases revenues or increases expenditures without balancing budget

Budget required

Statement of fiscal impact required

Bid waiver requiring County Manager’s written recommendation

Ordinance creating a new board requires detailed County Manager’s report for public hearing

Housekeeping item (no policy decision required)

No committee review

Approved _____ Mayor
Veto _____
Override _____

Not On
Agenda Item No. 7(J)(1)(R)
1-20-05

RESOLUTION NO. _____

RESOLUTION APPROVING AN AMENDMENT TO THE PEOPLE'S TRANSPORTATION PLAN (PTP) TO INCLUDE THE USE OF CHARTER COUNTY TRANSIT SYSTEM SURTAX (SURTAX) FUNDS FOR EXISTING MIAMI-DADE TRANSIT (MDT) SERVICE FOR FISCAL YEARS 2001-2002, 2002-2003, 2003-2004, AND 2004-2005, AND FURTHER AMEND THE PTP TO INCLUDE THE USE OF SURTAX FUNDS FOR SUCH SERVICE FOR SUBSEQUENT FISCAL YEARS UNDER CERTAIN CONDITIONS

WHEREAS, this Board desires to accomplish the purposes outlined in the accompany memorandum, a copy of which is incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that the People's Transportation Plan (PTP) be amended to include the use of Surtax funds for existing Miami-Dade Transit (MDT) service for Fiscal Years 2001-2002, 2002-2003, 2003-2004 and 2004-2005 and be further amended to include the use of such funds for such service for FY 2005-2006 and subsequent fiscal years. The further amendment to include use of Surtax funds for existing MDT service for FY 2005-2006 and subsequent fiscal years, shall be contingent upon the approval by the Board for such fiscal year of at least a 3.5% increase in the Countywide General Fund Budget to MDT over that provided in the preceding fiscal year and at least a 1.5% increase in Local Option Gas Tax (LOGT) Revenue support for MDT over that provided in the preceding fiscal year (or the proportionate share increase in LOGT Revenues for such fiscal year in accordance with Resolution No. R-614-03, whichever is greater). The 3.5% increase in the Countywide

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General Fund Budget to MDT over that provided in the preceding fiscal year shall be built upon a revised Maintenance of Effort amount to include an increase of \$2 million dollars to the Countywide General Fund Budget to MDT as of Fiscal Year 2004-2005, as outlined in the accompanying memorandum, in substantially the form attached hereto and made a part hereof.

The foregoing resolution was offered by Commissioner _____, who moved its adoption. The motion was seconded by Commissioner _____ and upon being put to a vote, the vote was as follows:

Joe A. Martinez, Chairman	
Dennis C. Moss, Vice-Chairman	
Bruno A. Barreiro	Dr. Barbara Carey-Shuler
Jose "Pepe" Diaz	Carlos A. Gimenez
Sally A. Heyman	Barbara J. Jordan
Dorrian D. Rolle	Natacha Seijas
Katy Sorenson	Rebeca Sosa
Sen. Javier D. Souto	

The Chairperson thereupon declared the resolution duly passed and adopted this 20th day of January, 2005. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: _____
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

B.L.

Bruce Libhaber

Memorandum



Date: August 16, 2004

To: Honorable Alex Penelas, Mayor
Honorable Chairperson Barbara Carey-Shuler, Ed.D.
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Working "White Paper"

A handwritten signature in dark ink, appearing to read "Burgess", written over the printed name of the County Manager.

Attached please find a working copy of a "white paper" prepared by Dr. Carlos Bonzon. This document is a work-in-progress that brings forward for discussion and comment certain thoughts, ideas and concepts regarding the People's Transportation Plan (PTP) and the funding of our public transit system. I would appreciate reviewing this paper with you prior to our budget hearings in September.

When I appointed Dr. Bonzon as the County's Surface Transportation Manager one of his main responsibilities was the successful and aggressive implementation of the PTP. Essential to that objective and our ability to have an efficient and effective unified public transit system is a properly funded Miami-Dade Transit (MDT) operation. As individuals that have been involved with County budgets and transit operations for many years, we both realize that the half-penny sales tax must support not only new and/or improved services but also help support services in place before November 2002. The half-penny sales tax is an additional revenue source among many that support our unified transit system. We cannot have the mindset that there are two public transit systems, one that existed before the referendum and the second that was comprised of all new and improved service occurring after the referendum – and that PTP funds could ONLY be used for the second system.

The Board was presented with this reality several months ago when we developed the long term 30-year Pro forma. As you may recall, at the time the 30-year Pro forma was developed, I recommended to the Board an increase of 3.5 percent in the annual General Fund (GF) Maintenance of Effort (MOE) contribution for the next 30 years. Similarly, I recommended an increase of 1.5 percent in the annual Local Option Gas Tax (LOGT) contribution. Both the 3.5 percent contribution and the 1.5 percent LOGT are included in the 2004-2005 Resource Allocation that will be considered by you in September.

I firmly believe that these recommendations should be memorialized via Ordinance in order to assure adequate funding support for an efficient and effective integrated transit system that delivers all projects discussed with the electorate.

I am also of the opinion that it is essential that we establish nationally recognized efficiency and effectiveness measures for our transit system in order to assure that all transit revenues, including surtax funds, are efficiently and effectively used in support of transit operations and that the implementation of the People's Transportation Plan is ensured.

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This white paper opens for discussion the following key issues:

- Based on the required Maintenance of Effort (MOE) established by the Surtax Ordinance, what annual level of funding is the County obligated to provide to MDT?
- Was the MOE General Fund (GF) contribution envisioned to increase yearly, to whatever amount is necessary, in order to cover all costs associated with the so-called "existing or baseline" service as of November 5, 2002?
- What are the permitted uses of surtax revenues? Can surtax revenues only be used exclusively to fund the capital and operation and maintenance costs of the so-called "new improvements/enhancements"?
- What are the consequences if MDT's traditional annual revenues (without the surtax) are not sufficient to cover operations and maintenance expenses and an attempt is made to distinguish between "existing or baseline" and "new" services, rendering the use of surtax funds as a revenue source for an "integrated" system ineligible? Do we reduce the very transit service that we are trying to improve?
- Is it not the PTP's primary objective to deliver to County residents all the improvements established in the Surtax Ordinance in order to relieve congestion, offer mobility options and make our transportation system a truly "integrated" one?
- If so, should we not aggressively pursue all possible and available revenue sources at the federal, state and local levels and allocate them as needed in order to achieve our primary objective, the need to optimize and improve the baseline level of transit service?

I believe the concerns expressed in the white paper are integral to our budget discussions. We are available to discuss the white paper and its implications for next years' budget with you at your convenience.

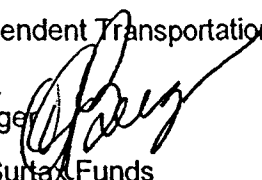
c. Carlos F. Bonzon, Ph.D., P.E., Surface Transportation Manager
Roosevelt Bradley, MDT Director
Jennifer Glazer-Moon, OSBM Director Designate

Memorandum



Date: August 11, 2004

To: Marc Buoniconti, Chairman
and Members, Citizen's Independent Transportation Trust

From: Carlos F. Bonzon, Ph.D., P.E.
Surface Transportation Manager 

Subject: Allocation of Transportation Surtax Funds

Since my appointment as Surface Transportation Manager in September 2003, I have been working diligently to ensure that the County's public transportation system expands in accordance with the improvements listed in the People's Transportation Plan (PTP). These improvements are the projects listed as Exhibit 1 to Surtax Ordinance No. 02-116, and approved by the Board of County Commissioners (BCC) in July 2002. However, since my appointment I have been made aware that there are differences of opinion as to whether surtax funds are to be used **exclusively** for Exhibit 1 projects (and for other projects that have been subsequently added to the PTP) or could also be used as one of many revenue sources available for improving the County's entire public transportation system. This "white paper" addresses to what extent, if any, it may be permissible under Ordinance No. 02-116 to use surtax funds to supplement other transit revenue sources for the operation and maintenance of the entire transit system.

Since I was not part of the planning for the PTP and was not involved in promoting the surtax to the electorate, my observations and conclusions are based on a thorough review of all available documentation on the subject matter and discussions with staff that participated in the surtax campaign. I am committed to implementing all of the PTP projects in an efficient and effective manner and within the timeframe promised to the voters. At the same time the County is responsible for the maintenance and operations of the entire public transit system – those services in place before the November 5, 2002 referendum (the so-called "existing or baseline" service) as well as those improvements implemented after the referendum.

The transit surtax was clearly promoted and approved by the electorate to improve Miami-Dade County's transportation system by implementing the People's Transportation Plan (PTP). Improving and expanding the bus service and building rapid transit lines are essential elements in the implementation of the PTP. It follows that the underlying operative fiscal principle for the County's multi-funded integrated transportation system continues to be the need to optimize and improve the transit system service's baseline level that existed just prior to November 5, 2002, when the County's voters approved the half-penny sales tax.

I have attempted to bring to the forefront some extremely important and critical issues for consideration and discussion by the Citizen's Independent Transportation Trust (CITT), prior to making any recommendations to the Mayor and the BCC. Background financial information is presented, some basic questions and issues regarding the use of transportation surtax funds are raised and clarification on historical revenue sources and costs of operations and maintenance of the Miami-Dade Transit (MDT) system is provided. All analyses and observations are strictly based on a thorough examination of documents in existence prior to the surtax and the "The People's Transportation Plan Resource Guide"

publication which was used by referendum supporters as a detailed reference document. The following basic questions begin the discussion:

- Based on the required Maintenance of Effort (MOE) established by the Surtax Ordinance, what annual level of funding is the County obligated to provide to MDT?
- Was the MOE General Fund (GF) contribution envisioned to increase yearly, to whatever amount is necessary, in order to cover all costs associated with the so-called "existing or baseline" service as of November 5, 2002?
- What are the permitted uses of surtax revenues? Can surtax revenues only be used exclusively to fund the capital and operation and maintenance costs of the so-called "new improvements/enhancements"?
- What are the consequences if MDT's traditional annual revenues (without the surtax) are not sufficient to cover operations and maintenance expenses and an attempt is made to distinguish between "existing or baseline" and "new" services, rendering the use of surtax funds as a revenue source for an "integrated" system ineligible? Do we reduce the very transit service that we are trying to improve?
- Is it not the PTP's primary objective to deliver to County residents all the improvements established in Exhibit 1 (as they may be amended from time to time) of the Surtax Ordinance in order to relieve congestion, offer mobility options and make our transportation system a truly "integrated" one?
- If so, should we not aggressively pursue all possible and available revenue sources at the federal, state and local levels and allocate them as needed in order to achieve our primary objective, the need to optimize and improve the baseline level of transit service?

MDT OPERATING SUBSIDY SOURCES

Traditionally, like every transit system in the nation, MDT has relied on federal, state and local subsidies in order to provide transit services. They include Federal funds, State Transportation Disadvantaged funds, State Block Operating Grants, Local Option Gas Tax (LOGT) funds and a contribution from the County's GF. Other revenues come from joint development projects, leases, and advertising. Typically, transit systems only recover approximately 25% to 40% of their operating and maintenance expenses from the fare box. There are two ways to increase fare revenues: increase fares or increase the number of paying customers. If fare revenues were to recover a higher percentage of expenses, they would have to be set at a level that would be detrimental to the transit dependent population. In the case of MDT, in spite of increases in the level of transit service, the growth of passengers using the system has been less than anticipated and thus the revenues from fares are significantly lower than the growth in operations and maintenance costs. One of the difficulties in attracting new riders occurs because our transit system is incomplete and should connect to additional passenger activity centers.

At the same time, the number of riders and subsidy required to maintain an ever growing Special Transportation Services (STS) system has significantly increased, placing a significant budgetary pressure on MDT and requiring the reallocation of revenues among the different modes of transit. As Members of the CITT may be aware, the amounts of federal and state annual assistance are not guaranteed, but rather subject to authorization and appropriation by Congress and the State legislature.

~~Thus, if other supplementary sources of funding are not available, annual revenue shortfalls and variations automatically cause transportation service adjustments.~~

MDT'S HISTORICAL BUDGETARY CONSTRAINTS

As a result of severe cutbacks nationwide in federal assistance for transit operational expenses as well as significant competing priorities for scarce GF funds at the local level, MDT has historically resorted to one-time revenues to balance its annual budget. In fact, an examination of MDT's budget for the last ten years reveals that U.S. Leverage Lease and other one-time revenues were used by MDT in 1997, 1998, 1999 and 2001. MDT has been in a catch-22 situation for years due to the need to improve an inadequate transportation system while at the same time lacking the resources to do so. As a result, prior to the successful November 5, 2002 referendum, MDT had tried unsuccessfully to obtain approval from the electorate for a dedicated source of funding for transit, not only to expand and enhance existing service but also to bring such existing service and transit facilities to acceptable standards after years of inadequate funding levels. For years it was recognized that adequate financial resources did not exist to maintain a level of transit service commensurate with a metropolitan area of the size, complexity and growth of Miami-Dade County.

MDT'S FINANCIAL CONDITION PRIOR TO THE SURTAX APPROVAL

An examination of MDT's past financial records immediately prior to the surtax referendum reveals that both FY 00-01 and FY 01-02 ended with the County resorting to the use of one-time revenues to pay for anticipated MDT expenses. These included increasing the capitalized costs and in FY 01-02 actually borrowing from FY 02-03 Federal allocation funds. At that time the County had counted on but was not able to close on anticipated one-time lease/leaseback agreements for the Metrorail guideway and the Metromover system. At one time, it was anticipated that such a transaction would generate approximately \$60 million and would fund the acquisition of buses and subsidize operating expenses for FY 00-01 and FY 01-02. Such a transaction never materialized. However, in anticipation of receiving those funds, MDT did not do what in retrospect it should have done to avoid future budget shortfalls: **reduce the existing level of service consistent with its budgetary constraints.**

PRE-SURTAX CASH FLOW PLAN – 21-YEAR PRO-FORMA

It is important that we review all pertinent documents prepared by MDT prior to the surtax referendum that formed the basis for project estimates and projections contained in the "People's Transportation Plan Resource Guide". As previously mentioned, this Guide was widely utilized as background information in public forums by those who supported the referendum.

Attachment A contains a projected 21-year Pro-forma that was prepared in July 2002. Also part of Attachment A are projected rail capital costs and bus acquisition costs and schedules. Please note that Attachment A contains a line item under Expenses entitled "MDT O & M". This item is an all-inclusive Operations and Maintenance (O&M) cost for each of the 21 years. It reflects the O & M anticipated costs for the entire system, that is, costs for service and facilities that were operational prior to the referendum and also those put in place after the referendum. **It is important to note that only one total is shown for each year's expenses and that the 21-year Pro-forma assumed a "constant" GF annual subsidy.**

Attachment B is a 21-year plan summary of expenses and revenues also prepared at that time. When Attachment A is examined along with Attachment B, it can be seen that the total for O & M (\$10.437 billion) is exactly the same in both attachments. Please note that Attachment B includes funds for Paratransit expenditures. Paratransit expenditures are not specifically listed in the Ordinance or Exhibit 1. Therefore, it seems that it was meant for the \$10.437 billion to include anticipated costs for the entire transit system.

A close examination of each line item in Attachment A in the July 2002 Pro-forma shows that the subject Pro-forma always envisioned a myriad of revenues, including surtax revenues, to be needed and used to operate the integrated transit system. If a separation of revenues into "existing" and "new" services would have been envisioned, it follows that two separate 21-year Pro-formas would have been prepared.

Attachment C is a pie-chart showing the distribution of sales tax proceeds shown on page 155 of the "People's Transportation Plan Resource Guide". The percentages shown were derived from the 21-year plan. This pie chart, prepared just before the referendum, also includes funds for Paratransit services. It meant to convey to the reader that the surtax proceeds were to also be used to fund Paratransit services as part of the entire system.

Attachment D depicts the same pie-chart included in Attachment C along with a Capital Investment pie-chart.

Attachment E illustrates what a 21-year Pro-forma for the existing and for the new service would have looked like using the cost projections available in July 2002. It is worthwhile to use an example to confirm what appears to be the original intent. In examining the year 2004 in the July 2002 Pro-forma for one integrated system, we see that the surplus at the end of that year was projected to be \$138.17 million of which \$69.39 million was the projected carry-over from 2003 and the remaining amount (\$68.78 million) was the result of projected 2004 operations for both "existing" and "expanded" operations. This is clearly seen by examining the two separate Pro-formas for "new" and "existing" service which have been illustrated right below the original one. It can be seen that in year 2004 the balance for the "new" service was projected to be \$87.60 million and that for the "existing" service was projected to be (\$18.82 million) for a net of \$68.78 million as mentioned above. This clearly demonstrates that the July 2002 Pro-forma, the 21-year Plan Summary and the Pie Chart included in the Guide envisioned one system with the surtax as one of the funding sources.

It is also noteworthy that projections compiled prior to November 5, 2002 anticipated that projected expenses would exceed projected revenues starting in 2015. This is shown in the chart depicted in Attachment F entitled "Revenues and Expenses". This is confirmed by examining the July 2002 21-year Pro-forma which shows that in 2015 expenses were projected to be \$609.53 million versus revenues of \$595.15 million.

Lastly, the subject 21-year Pro-forma was submitted by MDT to the Federal Transit Administration (FTA) as part of the New Starts application for the Metrorail North line extension. The clear indication to FTA was that it was one system for which the surtax was one of many funding sources. The FINANCIAL CAPACITY POLICY used by the FTA is delineated in Circular FTA C 7008.1A which

~~states that FTA will not enter into a Full Funding Grant Agreement (FFGA) "until the plans for financing have been completed and a Financial Capacity Assessment has been performed by the Financial Management Oversight Contractor (FMOC). The plans for financing must demonstrate that the grantee can complete the FFGA project and continue to operate its existing service with available resources."~~ Please note that without the inclusion of the surtax as one of many revenue sources for the transit system in its totality, all the projects envisioned would not be viable for federal funding. Based on the above, it can be further concluded that **documentation and financial projections at the time always envisioned that the surtax revenues would complement other revenues sources to fund an integrated transportation system.**

MAINTENANCE OF EFFORT (MOE)

Ordinance No. 02-116, approved by the BCC on July 9, 2002, expressed the BCC's wish to levy and impose a one half of one percent Charter County Transit System Surtax, if approved by the County's electorate. In the title of the Ordinance, the BCC clearly expressed its **"intent to maintain current level of general fund support for MDTA in subsequent fiscal years"**. Furthermore, Section 5 of Ordinance No. 02-116 entitled "Maintenance of Effort", states that **"It is the intention of the Board of County Commissioners that the amount of general fund support for MDTA in fiscal year ending September 30, 2003 and each subsequent fiscal year shall be no less than \$111,800,000 which is the budgeted amount of general fund support for MDTA in fiscal year ending September 30, 2002"**

Thus it appears that the County's MOE obligation is strictly a funding obligation. The Ordinance's intent and language to that effect is difficult to dispute. The Ordinance does not state that, if the surtax was approved, the County would then fund an improved level of transit service by increasing the GF contribution to whatever amount was necessary. The Ordinance simply provided that whatever was being contributed by the GF as of September 30, 2002 would be the absolute minimum to be contributed as a supplement to other revenue sources. This intent seems to be further confirmed by language in Ordinance No. 02-116 dealing with the twenty percent of surtax proceeds to be distributed annually to those cities existing as of November 5, 2002. It is stated in the subject Ordinance that municipalities would receive their share of the surtax proceeds if they **"continue to provide the same level of general fund support for transportation that is in their FY 2001-2002 budget in subsequent Fiscal Years. Any surtax proceeds received shall be applied to supplement, not replace a city's general fund support for transportation;"**

EXISTING SERVICE VERSUS SERVICE IMPROVEMENTS

All County departments must operate with a balanced budget and MDT was and is no exception. For any given fiscal year, MDT plans and proposes a transit level of service which takes into account anticipated transit needs in the community, projected transit ridership, projected revenues from fares, and anticipated revenue subsidies from other viable sources such as federal and state agencies. The amount of revenue in each one of these categories may vary from year to year and also during any given fiscal year. This frequently dictates adjustments in the level of transit services such that a balanced budget can be achieved, if no other source of revenue is available to make up the shortfall. It is important to reiterate that any reference to a committed MOE refers to a minimum amount of annual monetary contribution towards the transit system. Exhibit 1 of County Ordinance No. 02-116 does not explicitly identify funding of so-called "deficits in existing operations". Based on preliminary

discussions with the County Attorney's Office (CAO), it appears that such expenditure would constitute a material addition to the People's Transportation Plan, and thus require an amendment to the subject plan. If surtax revenues cannot be used to fund "existing operations", then any shortfalls in MDT's projected revenues and traditional subsidies and/or any unanticipated increase in operating and maintenance costs would necessitate that the level of service that we are trying to improve be either reduced due to lack of funding or that such additional expense be funded by increases in the GF's annual contribution. This additional GF funding would of course be in excess of the \$111.8 million MOE, or the approved MOE amount for that particular fiscal year, if higher. The latter would be subject to the County's budgetary pressures and competing needs for any available funds countywide.

Our transit system is a fully integrated system. Although composed of discrete transit modes and individual bus routes, the system has been designed and operates with seamless connections to afford passengers travel efficiencies. Our residents want and deserve an equally good level of service whether they are riding on a route that has been in place for many years or a new route implemented after the referendum. Obviously, improvements to the entire system are needed to maintain an equal level of service throughout the system and the voters voted for improvements throughout the system.

Within five years after the referendum virtually every Metrobus route will be improved. If we do not look at all the pieces together, intermingled as one "system" that we are trying to improve, but rather keep differentiating between the baseline existing service and improved service, then we must certainly choose which bus route to eliminate or adjust if funds other than surtax are not available to "supplement" other sources of revenue. If the County abides by the Ordinance and, for whatever budgetary pressures it faces in a given year, is only able to fund the MOE required by Ordinance to support transit operations, MDT may not have enough funding to meet its costs. Without a supplemental budget, MDT would have to cut operations – most definitely Metrobus operations since that is very labor intensive and most sensitive to the budget. What bus routes should be cut or reduced? Should they include those listed in Exhibit 1 of the surtax Ordinance? Those are mandated to be improved. If cuts are made only in the older routes, or only in those portions of the routes operating prior to the referendum - not those newly established after November 5th, would one community be affected more than others, potentially in violation of Federal Environmental Justice requirements? But by cutting service, even on baseline –pre November 5th service – will we be keeping faith with the voters? They were promised that service would be improved. How is needed service improved if it is cut because of budgetary constraints?

There is only one answer which meets the requirements of the Ordinance approved by the BCC and those of the surtax ballot language. We must deliver to the public an efficient transit system with all the improvements contained in Exhibit 1 of Ordinance No. 02-116. The improvements listed in Exhibit 1 did not stand alone. Exhibit 1's improved service only makes sense when it is seen in the context of the service operating just prior to November 5th. The public is concerned with an efficient and effective public transit system, which continues to improve, which relieves traffic congestion and provides a viable alternative to the automobile.

The County has an obligation to make sure that it runs an efficient operation and that productivity is maximized such that surtax funds, together with all other revenue sources and subsidies, provide the level of service that was promised to the public prior to the surtax referendum.

SUFFICIENCY OF SURTAX FUNDS TO FUND TRANSPORTATION IMPROVEMENTS

If surtax funds were envisioned to be used exclusively for "improvements" only, as specifically detailed in Exhibit 1 of Ordinance No. 02-116, and not to also supplement other revenue sources to operate, maintain and improve whatever integrated transit "system" is in operation at a given time, then a basic question comes to mind: Are the projected surtax revenues for the next 20 to 30 years (not counting the 20% mandated contribution to municipalities) sufficient to fund the capital, operating and maintenance costs of all the improvements listed in Exhibit 1? The answer is NO. In fact, it was early recognized during the preparation of the December 2003 30-year pro-forma that, at some point in the future, surtax revenues would not be sufficient and would need to be supplemented by other traditional subsidies and the County's General Fund. As a result, the County Manager agreed to recommend to the BCC that the General Fund and Local Option Gas Tax annual subsidies be increased at least 3.5% and 1.5% respectively for the next 30 years. If we are to deliver, maintain and operate all the projects listed in Exhibit 1, surtax revenues need to be SUPPLEMENTED by other revenue sources. As shown in Attachment F, the surtax is sufficient to fund all the "expanded service" (rail and bus) plus the public works and other MDT projects if the increment in fare revenues from the expanded services portion are allocated as surtax revenues (not possible unless "existing service" is not reduced due to lack of adequate funding). Nevertheless, in this particular case it should be noted that starting in 2023 the traditional revenues for existing service begin to contribute to the bottom line resulting in an additional \$212 million in revenues. On the other hand, if the increment in fare revenues from the so-called "expanded services" portion is allocated as general MDT revenue, then the surtax revenues are not sufficient to pay for all improvements and produces a negative cash balance starting in 2015. This is shown in Attachment G. Simply stated, surtax revenues contribute to a pool of revenue funds needed to deliver a top-notch integrated transportation system to our residents and visitors.

PERMITTED USES OF SURTAX REVENUES: AN INTERPRETATION

Any legal interpretation of the meaning and requirements of a County Ordinance must be rendered by the County Attorney's Office. Nevertheless, it is beneficial for the sake of completeness to offer a layman's perspective. Section 29-124 (b) of Ordinance No. 02-116 states that "Surtax proceeds may only be expended for the transportation and transit purposes specified in 212.055 (1) 1-3 Fla.Stats. (2001). The use of proceeds from the surtax for the "expansion, operation and maintenance of bus and fixed guideway systems" is one of those permitted purposes. Section 29-124 of the subject Ordinance also states that "Moneys in the special fund shall be expended for the transportation and transit projects (including operation and maintenance thereof) set forth in Exhibit 1 to this Ordinance (including those projects referenced in the ballot question presented to the electors to approve this levy)". In reviewing the ballot language as well as the wording of Exhibit 1 one interpretation could be that surtax revenues may only be used to pay for the capital, operation and maintenance costs of only those specific projects listed which constitute an expansion above the level of service in existence on November 5, 2002. On the other hand, based on the arguments raised previously regarding the MOE requirements and assumptions used in the 21-year Pro-forma, it may be argued that not to be able to use surtax revenues as a supplement to maintain bus and rail service would lead to severe cutbacks in transit service which would be contrary to the general purpose of the surtax levy which is to improve transit service. If we were to follow the former interpretation instead of the latter then one may examine the list of specific projects in Exhibit 1 and ask typical questions such as: If MDT does not have sufficient revenues to fund the current 22 million miles of bus service and has to cut back, how do we fund increasing that level of

~~service to 44 million miles as required by Exhibit 1? Similar questions can be raised in just about every specific project mentioned in the subject Exhibit 1.~~

Lastly, it is interesting to note that the July 9, 2002 memorandum from the former County Manager to the BCC transmitting Ordinance No. 02-116 for consideration and enactment states that surtax revenues will "partially cover the operating and maintenance costs for the Miami-Dade transit system". It would seem that the use of the word "transit system" means the operation and maintenance of the entire system in existence at a given time during the implementation of the PTP.

REQUESTED ANNUAL ALLOCATION OF SUPPLEMENTAL SURTAX FUNDS

As the so-called "baseline service" is expanded due to new transportation improvements being added consistent with Ordinance No. 02-116's Exhibit 1 (that may be amended from time to time) its operation and maintenance costs significantly increase. In a given fiscal year, the ability of MDT to provide an expanded level of service will be dependent on the amount of yearly funding received from traditional sources of revenue, increased ridership, revenues from fares, its ability to negotiate equitable labor agreements, inflation, unanticipated events and the ability to use flexible, recurring revenue sources that have growth potential.

Based on the Pro-forma distributed to the BCC in December 2003, MDT showed that the necessary supplementary support for existing services for FY 02-03 is \$25,539,124 (already showing fully allocated cost of miles and the pre-existing debt service) and for FY 03-04 is projected to be \$19,314,468 (inclusive of the existing debt). The projected "existing service" surtax allocation for MDT in FY 03-04 and the next 29 years are shown in Attachment H, taking into consideration MDT's financial condition as of November 5, 2002 as well as projected increases in GF allocations.

Please note that the projected supplementary surtax allocation for existing services will vary from what was presented to the BCC in December 2003 and from what was included in that spreadsheet (Attachment H). At that time, the cost of expanded rail and bus service miles was based on incremental cost per mile. A more appropriate measure is a fully "allocated" cost per mile. MDT is in the process of updating the cost data for FY 03-04 and subsequent years. At the same time, MDT is in the process of obtaining the services of an independent consultant from the County's management pool in order to have the cost allocation model updated.

It is my firm opinion that the County must address any transit budgetary shortfalls that existed prior to the November 5, 2002 surtax referendum so that everyone knows exactly how every half-penny is being allocated. There cannot be any more one-time fixes for transit's budget. There can be no more borrowing from future years for present expenses. It is proposed that the first five years of GF allocations in excess of the MOE mandated amount be used to address past MDT debts. These include both the reduction from \$123,171,000 to \$111,800,000 in the GF contribution after the tax passed and the existing debt service payments for the acquisition of buses and for capital maintenance and improvements prorated based on the total bus miles used prior to the surtax (for bus purchases). The debt service on the capital improvements should be funded by surtax revenues since these improvements are taking place after the surtax was approved and are taking place for the system as a whole. The buses that were purchased in 2001 and 2002 are in service today and have a life expectancy of 12 years.

CONCLUSIONS

A thorough examination of the above leads to the following conclusions:

- Surtax Ordinance No. 02-116 should have **EXPLICITLY** addressed, and better explained to the public and elected officials, the anticipated necessity to use surtax revenues for the operation and maintenance of the entire integrated transit system.
- The County's mandated Maintenance of Effort (MOE) is strictly a level of funding requirement. Nevertheless, GF contributions in excess of the mandated minimum MOE are necessary and will make possible the implementation of projects discussed with the public and contained in Exhibit 1 of the Surtax Ordinance.
- All available evidence seems to indicate that the separation of "existing" and "new/enhanced" transit service was never envisioned by those involved in preparing financial projections and transit maintenance and operations costs over the next 20 years.
- In order to avoid transit service cutbacks, which would be contrary to the general purpose of the surtax which was to improve transportation, consideration should be given to the annual supplementary use of surtax revenues along with the annual necessary increases in the MOE above the required minimum.
- Any use of surtax funds for the purposes delineated above as well as any requested increases in MOE above the required minimum must be accompanied by a commitment to clearly establish increased operational efficiency levels which can be measured and audited. MDT must continue to implement best business practices. Those services that do not meet accepted standards and practices need to be improved or eliminated.

Attachments

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